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UNCLAS SECTION 01 OF 02 KINGSTON 000539

SIPDIS

STATE FOR WHA/CAR (JTILGHMAN) (VDEPIRRO)  
WHA/EPSC (LKUBISKE)  
EEB/ESC/IEC (GGRiffin)  
SANTO DOMINGO FOR FCS AND FAS  
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A

TAGS: ENRG EINV SENV ECON ETRD EFIN XL JM

SUBJECT: JAMAICA: FINANCE MINISTER SAYS NO MORE LIP SERVICE

REF: A) KINGSTON 490  
B) KINGSTON 343  
C) KINGSTON 286  
D) 07 KINGSTON 1748

Summary

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**¶11.** (U) Jamaica's Minister of Finance and Public Service, Audley Shaw, spoke to a crowd of investors at the Jamaican Money Market Banking (JMMB) financial forum June 10. He highlighted ongoing efforts to improve Jamaica's tax efficiency, but also spoke about energy security and expanding commercial banking services. Shaw proclaimed, "No more lip service" in relation to major adjustments needed by the Government of Jamaica (GOJ) to improve good governance and transparency.

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Tax Efficiency  
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**¶12.** (U) Shaw's speech emphasized improving the efficiency of Jamaica's tax system, primarily by increasing compliance rates and his taxpayer amnesty program (reflets A and B). (Note: early indications are that Shaw's tax amnesty is working: revenue for the first month of the fiscal year is 13.2 percent above projections and 29.5 percent above the same period last year. End note.) In an effort to make improvements in the tax system, Shaw promised audience members, that "the GOJ would hold-up its end of the bargain and make noticeable improvements to roads, hospitals, schools, and running water with the extra tax revenue generated from higher compliance rates."

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Corporate Tax Must Be Paid  
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**¶13.** (U) Shaw continued his pitch for higher tax compliance by asking for a partnership between the Jamaican business community, which historically has had dismal tax compliance rates, and the GOJ. Shaw said, of the USD 840-910 million in tax arrearages, 68 percent is owed by corporate tax payers. He promised the private sector visible results from increased tax revenue generated by their compliance and, with their help, a reduction of corruption. New services will include electronic tax paying and faster service at tax offices to ease the process of paying tax bills. (Note: Tax payers currently complain of waiting in line two hours to pay their bills). Shaw said once compliance was up he would harmonize the corporate tax rate and personal income tax rate. He also promised reform in Jamaica Customs under the new Commissioner Danville Walker; radical changes were needed in the customs office.

## Energy Security

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**¶14.** (U) Shaw spoke passionately about necessary changes and opportunities in the face of Jamaica's energy crisis; the country must reduce its excessive dependency on imported oil and improve the efficiency of oil usage. He stated, "Jamaica can longer give lip service to energy conservation," and said the slowdown of energy consumption wasn't aggressive enough. Shaw sees great investment opportunities for Jamaica in alternative fuels. He said he recently had visited Frankfurt, Germany looking at potential options for offshore wind energy project with the European Investment Bank (EIB), which was offering interest rates of 3-4 percent for such projects. Shaw also mentioned the GOJ's efforts for a sugar-based ethanol project with Brazilian firm Infinity Bio-energy (reftel C).

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## Commercial Banking Needs Competition

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**¶15.** (U) Shaw also touched on the expansion of the commercial banking community in Jamaica, saying the sector needs more competition: "We have had too many excuses why we can't close the spread between lending rates and borrowing rates in this country." He called for diversification of the financial services and investment options available in Jamaica. He said he wanted to see more investment banking, mutual funds, hedge funds and financial instruments like derivatives in Jamaica. He also announced that JMMB as well as other banks had recently applied for commercial banking licenses. Note: The wide spread between commercial loans and interest paid on deposits has been a source of tension and resentment for years in

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Jamaica (reftel D) End Note.  
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